

Purchasers of manufacturing machinery and equipment that qualifies for the manufacturing machinery and equipment exemption earn a credit in an amount equal to a fixed percentage of the tax which would have been incurred under the Use Tax or Service Use Tax. 35 ILCS 105/3-85; 35 ILCS 110/3-70. (This is a GIL).

October 18, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated September 30, 1999 and attached letter dated July 2, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter of July 2, you have stated and made inquiry as follows:

I am writing to request a written definition of 'manufacturing facility' as used in the enclosed copy of Bulletin FY-96-3. Our company has purchased a building that will be utilized mainly as a warehouse for the raw materials used in our production process. It is located less than a mile from our manufacturing plant. Currently we are spending to improve the building and would like to use our Manufacturing Purchase credit for these improvements which are incorporated into the building.

Please advise in a timely manner so we can utilize our credit. Thank you.

Please find enclosed a copy of 86 Ill. Adm. Code 130.331 governing the Manufacturer's Purchase Credit. The State of Illinois provides a manufacturer's purchase credit in addition to the exemption for manufacturing machinery and equipment. Purchasers of manufacturing machinery and equipment that qualifies for the manufacturing machinery and equipment exemption earn a credit in an amount equal to a fixed percentage of the tax which would have been incurred under the Use Tax or Service Use Tax. 35 ILCS 105/3-85; 35 ILCS 110/3-70.

As you can see from Section 130.331, production related tangible personal property means all tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process described in Section 2-45 of the Retailers' Occupation Tax Act takes place, and all tangible personal property used or consumed by a manufacturer in research and development regardless of use within or without a manufacturing facility.

Section 2-45 defines "manufacturing process" to mean the production of an article of tangible personal property, whether the article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by a procedure commonly regarded as manufacturing, processing, fabricating, or refining that changes some existing material or materials into a material with a different form, use, or name. In relation to a recognized integrated business composed of a series of operations that collectively constitute manufacturing, or individually constitute manufacturing operations, the manufacturing process commences with the first operation or stage of production in the series and does not end until the completion of the final product in the last operation or stage of production in the series.

Generally, a warehouse located off premises of the manufacturing plant is not a manufacturing facility where a manufacturing process as the term is defined in Section 2-45 of the Retailers' Occupation Tax Act occurs. Therefore, manufacturer's purchase credit cannot be used for improvements incorporated into that warehouse.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.